

**The Highest and Best Use (HABU) of the subject property at 947 Northstar Dr., Park City Utah.** Page 1 of 3

This property (TAX ID: NR-8) is a Private Ski-In/Ski-Out (SISO), 1.03 acre, heavily wooded lot on the private road.

**Macro-location:** Between the PCMR (Park City Mountain Resort) and 100' to 200' above Old Town area of Park City, Utah USA.

**Micro-location:** Abuts Creole ski run on the PCMR (Park City Mountain Resort) via a deeded and recorded easement Entry No. 00529817.

The Highest and best use is a concept in real estate appraisal, which states that the value of a property is directly related to the use of that property; the highest and best use is the reasonably probable use that produces the highest property value. This use, the Highest and Best Use, may or may not be the current use of the property. The 4 tests of highest and best use (HABU) are 1. legally allowable, 2. physically possible, 3. financially feasible and 4. maximally productive. [Read all footnotes on Page 2 of 3.]

**1. Legally Allowable** (maximum improvement per 15-2.2-3(D), and guest house per 15-2.2-2(B)(2) and 15-4-6):

- **SISO:** NR-8 private ski-in/ski-out (SISO<sub>1</sub>) access to the abutting Creole ski run on the Park City Mountain Resort (PCMR).
- **Option 1:** 14,700 sf maximum improvement<sub>2</sub>; 12,000 sf build-out of existing improvement up to the top of lot, no guest house<sub>3</sub>.
- **Option 2:** 14,700 sf maximum improvement<sub>2</sub>; new house, demolish existing improvement, no guest house<sub>3</sub>.
- **Option 3:** 13,950 sf maximum improvement<sub>2</sub>; 11,250sf new main house and remodel existing 2,700 sf as guest house<sub>2</sub>.
- **Option 4:** 14,700 sf maximum improvement<sub>2</sub>; demolish existing improvement, new main house with a new guest house<sub>2</sub>.
- **Steep Slope:** Steep slope construction<sub>4</sub> for new house or new main house on subject property, NR-8, per 15-2.2-6
- **Long term lease (All Options) and Nightly Rental (Option 1 and 2 only):** per 15-2.2-2(A)(3)

**2. Physically Possible:**

- **SISO:** Is physically possible according to Pat and Mike Sweeney (2 of the 3 owners and officers) of the Sweeney Land Company (owner of PC-800-1-Lot 10 which our ski access crosses). Who on Friday, Aug. 22, 2008, walked subject (NR-8) ski access and agreed our ski access is approved by them and very (physically) possible. They offered several alternative trail suggestions that also are physically possible and are under consideration. A well used hand cleared 3 to 10 foot wide ski path already exists. Pat Sweeney suggested we may be able to use our SISO trail for the top of the lot main house construction access also if it is made 12' wide and reclaimed with grass after construction.
- **Option 1:** A 14,700 sf house with a 12,000 sf build-out of existing improvement up hill is physically possible, utilizing steep slope<sub>4</sub> construction techniques, very common in Old Town.
- **Option 2:** A 14,700 sf new house at the top of the lot is physically possible, utilizing steep slope<sub>4</sub> construction techniques. Removing the existing 2,700 sf improvement<sub>3</sub> presents no steep slope<sub>4</sub> considerations and is physically possible.
- **Option 3:** A 13,950sf (= new 11,250sf house at the top of the lot plus remodeling the existing 2,700 sf improvement) The new is physically possible, utilizing steep slope<sub>4</sub> construction techniques and the remodel presents no steep slope<sub>4</sub> considerations and is physically possible.
- **Option 4:** A 14,700 sf new house with a new guest house at the top of the lot is physically possible, utilizing steep slope<sub>4</sub> construction techniques. Removing the existing improvement<sub>3</sub> presents no steep slope<sub>4</sub> considerations and is physically possible.
- **Steep Slope:** Steep slope construction<sub>4</sub> is very common and physically possible in Old Town Park City.
- **Long term lease (All Options) and Nightly Rental (Option 1 and 2 only):** required parking is physically possible.

**3. Financially Feasible** (assume demolition at \$75/sf, remodel at \$100/sf and build new at \$360/sf):

- **SISO:** Cost from (as is) \$0 to (12' wide) \$25,000. Have SISO<sub>1</sub> now. Additional cost to widen to 12' could make construction easier.
- **Option 1:** Cost \$8,065,000<sub>5</sub> for lot, remodeling existing improvement up to top of lot, no guest house. [total cost/sf=\$548.64/sf]
- **Option 2:** Cost \$8,265,000<sub>5a</sub> for lot, building new main house with no guest house (demolish existing). [total cost/sf=\$562.25/sf]
- **Option 3:** Cost \$7,795,000<sub>6</sub> for lot, building new main house plus remodel guest house<sub>7</sub> [total cost/sf = \$558.78/sf]
- **Option 4:** Cost \$8,967,000<sub>8</sub> for lot, building new main house and new guest house. [total cost/sf = \$610/sf]
- **Steep Slope:** Steep slope construction<sub>4</sub> is included in the cost/sf for **Option 1 to 4** and common in the neighborhood.
- **Long term lease (All Options) and Nightly Rental (Option 1 and 2 only):** many management companies in town.

**4. Maximally Productive** (% Potential Profit =  $((MV/cost)-1)*100$ ), assume demolition at \$75/sf, and sale price new at \$750/sf [or at \$1,000/sf] :

- $\sqrt{\text{Market value (MV) SISO}_{10} \text{ as vacant with demolition}_{3}} = \$3,250,000_9 = 1,700,000_{10} + 1,750,000_{11} - 200,000_3$ .
- $\sqrt{\text{Market value (MV) SISO}_{10} \text{ as vacant without demolition}_{10a}} = \$3,450,000_{12} = 1,700,000_{10} + 1,750,000_{11} - 0_{10a}$ .
- $\sqrt{\text{Market value (MV) SISO}_{10} \text{ as is}} = \$4,124,000_{13} = \$3,450,000_{12} + 674,000 (= 2,700\text{sf at } \$250/\text{sf})$
- Market value (MV) SISO<sub>10</sub> as **Option 1:** 14,700 sf, remodel up hill: \$11,025,000 at \$750/sf [or \$14,7000 at \$1,000/sf]
  - **Option 1:** % Potential Profit = **36.7%** [or **82.9%**] =  $((\frac{11.025}{8.065})-1)*100$  [or  $((\frac{14.75}{8.065})-1)*100$ ]
- Market value (MV) SISO<sub>10</sub> as **Option 2:** 14,700 sf, all new no guest house: \$11,025,000 at \$750/sf [or \$14,7000 at \$1,000/sf]
  - **Option 2:** % Potential Profit = **33.4%** [or **78.5%**] =  $((\frac{11.025}{8.265})-1)*100$  [or  $((\frac{14.75}{8.265})-1)*100$ ]
- Market value (MV) SISO<sub>10</sub> as **Option 3:** 13,950 sf, new + rem-guest house: \$10,462,500 at \$750/sf [or \$13,950,000 at \$1,000/sf]
  - **Option 3:** % Potential Profit = **41.4%** [or **79%**] =  $((\frac{11.025}{7.795})-1)*100$  [or  $((\frac{13.95}{7.795})-1)*100$ ]
- Market value (MV) SISO<sub>10</sub> as **Option 4:** 14,700 sf, new + new guest house: \$11,025,000 at \$750/sf [or \$14,7000 at \$1,000/sf]
  - **Option 4:** % Potential Profit = **23%** [or **64.5%**] =  $((\frac{11.025}{8.967})-1)*100$  [or  $((\frac{14.75}{8.965})-1)*100$ ]

Determination of Highest and Best Use: Option 3: 11,250 sf new house with private ski access and a remodeled 2,700 sf guest house.

Note: Per 2008 Note on Page 2 of 2, "**13:** Market value as is: \$4,124,000 ..." ergo **Minimum 2011 sales price is \$4,500,000.**

**The Highest and Best Use (HABU) of the subject property at 947 Northstar Dr., Park City Utah.** Page 2 of 3

This property (TAX ID: NR-8) is a Private Ski-In/Ski-Out (SISO), 1.03 acre, heavily wooded lot on the private road.

**Macro-location:** Between the PCMR (Park City Mountain Resort) and 100' to 200' above Old Town area of Park City, Utah USA.

**Micro-location:** Abuts Creole ski run on the PCMR (Park City Mountain Resort) via a deeded and recorded easement Entry No. 00529817.

**Footnotes (947 Northstar Dr. HABU):**

**1: SISO.** Private ski access to Creole Run on the Park City Mountain Resort (PCMR) is legally allowable according to the subject property's (NR-8) abutting easement owner (PCMR, POC: Administrative Director, Jenni Smith) and easement property owner the Sweeney Land Company (POC: Pat Sweeney). see attached [SISO.pdf](#) [deeded and recorded ski easement known as the "Creole Trail, Lift and Base Ease" Entry No. 00529817, ¶1] and [RED.pdf](#). If this SISO access across to Creole is made 12' wide, it provides construction access to the top of the lot.

**2:** The maximum improvement (14,700 sf) for this 1.03 acre lot in zone [HR-1](#) is three times the maximum allowable footprint (MFP) of 4,900 sf (4,500 sf + 400 sf for a garage) per [15-2.2-3\(D\)](#), without a guest house. The MFP of the main house is reduced by the footprint of a guest house [ per [15-2.2-2\(B\)\(2\)](#) and [15-4-6](#)] and in the case of Option 3 (a remodel of the existing improvement with a footprint of 1,150 sf) the maximum allowable square feet of a new main house at the top of the lot would be 11,250 sf (= 3\*(4,900 sf - 1,150 sf) = 3\*3,750 sf).

**3:** Subject NR-8 has existing 2,700 sf improvement that could cost **\$200,000 (~\$75/sf)** to remove. See page 3 of 22, Appraisal File No.: [0709-BH2](#) / Case No.: [3000142749](#).

**4:** See [15-2.2-6](#) DEVELOPMENT ON STEEP SLOPES Requires (B) Conditional Use Permit(CUP) for over 1,000 sf (A) on 30% slope.

**5:** Cost of Option 1 is \$8,065,000 = \$3,450,000 (lot w/o demolition) + \$4,320,000 (cost of the new 12,000sf(14,700-2,700) addition at †\$360/sf) + \$270,000 (2,700sf remodeled existing improvement at \$100/sf) + \$25,000(12' wide ski/construction access) [Option 1 total cost/sf = \$8,065,000/14,700 sf = **\$548.64/sf**]. † "\$360/sf" from page 4 of 22, Appraisal **File No.:** [0709-BH2](#) / **Case No.:** [3000142749](#) / date: 7/23/08.

**5a:** Cost of Option 2 is \$8,265,000 = cost of Option 1 + \$200,000 for demolition (\$75/sf) of existing improvement. [Option 2 total cost/sf = \$8,265,000/14,700 sf = \$562.25/sf]

**6:** Cost of Option 3 = \$7,795,000 = \$3,450,000 (lot w/o demolition) + \$4,050,000(new 11,250 sf main house at \$360/sf) + \$270,000 (guest house is 2,700sf remodeled existing improvement at \$100/sf) + \$25,000(12' wide ski/construction access). [Option 3 total cost per maximum allowable sf = (3,450,000+4,050,000+270,000+25,000)/(11,250 sf+2,700 sf) = \$7,795,000/13,950 sf = \$558.78/sf]

**7:** "\$100/sf" is cost to remodel existing improvement as a guest house.

**8:** Cost of Option 4 is \$8,967,000 = \$3,450,000 (lot w/o demolition) + \$5,292,000(new main house and new guest house, 14,700 sf at †\$360/sf) + \$25,000(12' wide ski/construction access) + \$200,000 (demolition of existing improvement @ \$75/sf). [Option 4 total cost/sf = \$8,967,000/14,700 sf = \$610/sf]

**9:** Market value as vacant with demolition: \$3,250,000 = \$1,700,000(for SISO <sub>10</sub>) + \$1,750,000(for large lot WITHOUT SISO <sub>11</sub>) - \$200,000 (for demolition of existing improvement so *improvement placement doesn't reduce SISO value. This may be unnecessary see note 10a*)

**10: SISO value = \$1,700,000** [i.e. location, location, location]: "*Based on an analysis of the sales found in the area, ski-in/ski-out access is a very valuable attribute which provides a considerable contribution to value (estimated at about \$1,700,000).*" on page 3 of 22 of Appraisal File No.: [0709-BH2](#) / Case No.: [3000142749](#) / date: [7/23/08](#).

**10a:** "*The value of the ski access is therefore estimated at approximately \$1,700,000 based on paired sales with no adjustment for removal of the improvement.*" on page 4 of 22 of Appraisal File No.: [0709-BH2](#) / Case No.: [3000142749](#) / date: [7/23/08](#).

**11:** \$1,750,000 is the value of subject property (NR-8) as vacant and without ski access, based on the 7/2/07, \$1,750,000 sale of NR-10 (MLS#: 9969384), a larger (1.44 acre) vacant flag lot 500' to the west on the same private road, Northstar Dr.. Ski access is neither Legally Allowable nor Physically Possible for NR-10, however it is *Legally Allowed* the same size (no larger) improvement as the subject property (NR-8) per [15-2.2-3\(D\)](#) which states "The maximum Building Footprint for any Structure located on a Lot or combination of Lots, exceeding 18,750 square feet (0.40 acres) in Lot Area, shall be 4,500 square feet; with an exemption allowance of 400 square feet per dwelling unit for garage floor area. A Conditional Use permit is required for all Structures with a proposed footprint of greater than 3,500 square feet." So 4,500 sf + 400 sf times 3 stories = 14,700 sf. This lot, like the subject property (NR-8), is also legally allowed a guest house per [15-2.2-2\(B\)\(2\)](#) and [15-4-6](#).

**12:** Market value of SISO as vacant without demolition: \$3,450,000 = \$1,700,000(for SISO<sub>10</sub>) + \$1,750,000 (for large lot WITHOUT SISO<sub>11</sub>) - \$0 (for not demolishing existing improvement as suggested on page 4 of 22 of Appraisal File No.: [0709-BH2](#) / Case No.: [3000142749](#) / date: [7/23/08](#), see note **10a**).

**13:** Market value as is: \$4,124,000 = \$1,700,000(for SISO<sub>10</sub>) + \$1,750,000(large lot WITHOUT SISO <sub>11</sub>) + \$674,000 (valued at \$250/sf, replacement cost for existing 2,700 sf improvement 947 Northstar, to be saved as guest house for subject property).

**14:** this documents name is [HABU.cwk](#) as of 081112W. Also see [HABU lot size.cwk](#), [4maps.pdf](#) and [561Woodside.cwk](#) and [3AppsAnalysis.cwk](#)

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**Micro-location:** Abuts Creole ski run on the PCMR (Park City Mountain Resort) via a deeded and recorded easement Entry No. 00529817.

**LOT SIZE:** 44,658 sf (1.03 acres) = 24 OTL (Old Town Lots):

- Lot size and location (HR-1) determine property rights, privacy[separation amenity] and views.
- Subject is 4.5 to 24 times the size of comparables used.
- Potential build-out of 4 to 10 times that of [comparables!](#)

**PROPERTY RIGHTS**(legally allowable for lot size in [HR-1](#) zone):

- 14,700 sf allowed build-out on lots > 0.4 acre. [15-2.2-3\(D\)](#)
- Guest house allowed on lots > 1 acre. [15-2.2-2\(B\)\(2\)](#), [15-4-6](#)
- No comparable with these property rights, all < 0.22 acres.
- No Old Town comparable with ski access, all < 0.13 acres.

**Macro-location:** Between Main Street Old Town Park City, Utah USA and the Park City Mountain Resort (PCMR), in the Treasure Hill woods, [58 minutes \(41 miles\) from Salt Lake International Airport.](#)

- The subject property's backyard resort, PCMR, was voted in the top 10 ski resorts by Ski Magazines readers: #5 in 2006, #6 in 2008 and #5 in 2009! In the private beautifully wooded mountain side 10 lot Northstar subdivision.
- The most recent sales in Northstar were: 1 house across 2 Lots NR-2&3, 1049/1025 Lowell (together 0.58 acre) **\$2,200,000** on 7/15/05(MLS#9956213) and the vacant lot NR-10, 1037 Northstar Dr., (1.44 acre) **\$1,750,000** on 6/22/07 (MLS#9969384).
- Both have the same large lot allowable build out, however lots 2&3 cannot have a guest house. *Neither have legally allowable or physically possible ski access in or out - both have a 3 block walk.*

**Micro-location, OT-SISO** (Old Town homes with ski access):

- Subject has private ski access or SISO (ski-in/ski-out) because it abuts the PCMR/Sweeney Land Company's deeded and recorded ski easement (*Creole Trail, Lift and Base Easement*, Entry No. [00529817](#) ¶1).
- The southern 3 lots (NR-6, NR-7, and NR-8 the subject) of the 10 lot Northstar subdivision on the private Northstar Dr., abut PCMR and are SISO (ski-in/ski-out) properties now. When the Treasure Park City Hotel complex goes in (2009-2010) to the south of these 3 properties the only SISO in Northstar will be NR-8, the subject.(see attachment 1: 4maps)
- Another approximately 22 properties abutting PCMR on the east bench (odd addresses from 481 to 663 and 733) side of Woodside Avenue are referred to as the "[Gold Coast](#)" because they back up to the out of bounds area near the Quit'n Time ski run (*Quitting Time Trail, Lift and Base Easement*, Entry No. [00529817](#) ¶3).
- The subject and all "Gold Coast" properties are legally allowable and physically possible "ski access" properties in Old Town Park City (OT-SISO). SISO is worth \$1.7 to \$2 million more than old town properties without SISO.

**Micro-location, VIEW:** *All OT-SISO comparables (100' to 200') down the hill from the subject in old town have an inferior view (neighbors garages across the street, the sides of neighbors houses 2'-10' away on both sides and a very limited view of uphill woods).*

- **Content of view - downhill.** *The subjects downhill view from NW to N to SE includes the Wasatch mountains, Bear Hollow Olympic Sports Park, Canyons Resort, Park City front and back door, Park City golf course, PCMR, the Aerie, city parks, all of Old Town including Town ski bridge and ski lift, Deer Valley and out to the [St. Regis](#) (2 miles from Old Town).*
- **Content of view - uphill.** *The subjects uphill view from SE to S to NW is the Treasure Hill woods, including pine, aspen, scrub oak, maple, sage, choke cherry, service berry, blue elderberry, plus wild roses, and a myriad of other wild flowers. (see views at [www.ski-shore.com/views.html](#) ),*
- **Proximity of view.** Both near and far. The Sports Park and Canyons are a bus ride away, Old Town is a 5 minute walk and the Treasure mountain woods are just out any uphill window or door.
- **Height of view.** Subject is 200' (N side) to 300' (S side) above Old Town Park City on the relatively steep (21°) bench of the PCMR, 100-300' above OT-SISO comparables.
- **Width of view.** 180 degrees for the *downhill view* described above and 180 degrees of the *uphill view* described above. OT-SISO comparables views are blocked on 3 sides! See attachment 2, The \$6,500,000 view of [561 Woodside](#), sold \$5,700,000; 2/15/07.
- **Exposure of view.** Large eastern downhill windows collect lots of sunlight early morning until early afternoon. OT-SISO comparables are shaded by neighbors most of the day!
- **Obstructability of view.** Size of lot and height above the view makes subject view obstruction totally impossible. The OT-SISO comparables views maybe or are obstructed on 3 or 4 sides.
- **Permanence** of both the *uphill and downhill view* is protected by zoning and the separation provided by a large lot. OT-SISO comparables views are obstructed on 3 or 4 sides.

**OT-SISO OPTIONS\***(legally allowable and physically possible):

- Option 1: Enlarge existing improvement (build-out 12,000sf) up the lot with no guest house.
- Option 2: New improvement (build-out 14,700sf) with no guest house, demolish existing improvement.
- Option 3: New improvement (build-out 11,550sf), remodel existing improvement as 1,500sf to 2,700sf guest house. HABU see
- Option 4: New improvement (build-out 14,700sf) with new guest house, demolish existing improvement.

*\* excerpted from Highest And Best Use analysis above.*